



NONCOMPLIANCE PENALTY CHANGES

In 2002, the Legislature amended A.R.S. §15-272 to modify the process and penalties relating to school districts that are found in noncompliance with the USFR. The law as amended allows the State Board of Education (SBE) to withhold any portion of state funds from school districts upon its determination of non-compliance with the USFR until such time that our Office reports the district to be in compliance with the USFR. The amendment also eliminated the provision that allowed extension of the 90-day period for the district to come into compliance.

The new law became effective August 22, 2002. Since that time, SBE has withheld 10 percent of state funds from two school districts that the SBE determined to be in noncompliance at its August and September 2002 meetings. SBE has since found both districts in compliance with the USFR, and restored their funding. In January 2003, the SBE voted to withhold 5 percent from another district found in noncompliance.

NEW REPORT FORMAT



The Office has adopted a new report format and writing style. All of our reports now have the same cover style and basic format, with different colors to distinguish among the various divisions. The Accounting Services Division's report covers are highlighted in maroon, and the Division of School Audit's reports are in blue.

The new writing style is more conversational in nature and provides more of a "big picture" regarding the district's internal controls. A separate document will still provide details about internal control deficiencies and recommendations to correct them to the district's management. The new reports may be viewed on our Web site on the Audit page and Services/Reports and Letters page.

FIXED ASSETS UPDATE

The new reporting model in Governmental Accounting Standards Board (GASB) Statement No. 34 required changes to the recording and reporting of capital assets (referred to as fixed assets prior to GASB 34). USFR Memorandum No. 196 details necessary changes to the capital assets policy, including the increase in the dollar threshold for equipment items included on the capital assets list from \$1,000 to \$5,000 (historical cost) and the requirement for a stewardship list to be maintained for equipment items costing between \$1,000 and \$5,000. In addition, upon implementation of GASB No. 34, districts need to track additional information in order to calculate depreciation for items on its capital assets list. See Memorandum No. 196 for details on this additional information.

As always, districts contracting with outside firms to perform capital asset services should remember that it is still the districts' ultimate responsibility to ensure compliance with USFR requirements. To address this concern, districts should ensure that contracts include descriptive language detailing the requirements for compliance with the USFR. For example, districts should include wording that firms must perform physical inventories in compliance with the USFR, and the firm must provide all documentation to the district upon completing the inventory.

Questions & Answers

Question: What object code should districts use for conference registration fees?

Answer: Districts should code registration fees to object code 6300—Purchased Professional and Technical Services. Districts should not code these

fees to object code 6580—Travel. Travel includes the costs of transportation, meals, lodging, and other expenses associated with traveling on business for the district (including federally funded advisory committees and nonemployees traveling for a district purpose). If a single amount is paid for a conference that includes registration and any lodging or meals, reasonable effort should be made to separate the costs for travel from conference registration. If separation is not practical, the full amount should be coded to the area that represents the largest portion of the expenditure.



Question: What fund number should districts use to record Failing Schools Tutoring Fund monies?

Answer: Districts should use fund number 484 within Other State Projects to record monies received in conjunction with the Failing Schools Tutoring Fund, established pursuant to A.R.S. §§15-241(Z) and 42-5029.

Question: What object code should districts use to record Assistance for Education Fund monies?

Answer: Districts should use object code 3110—State Equalization Assistance to record monies received in conjunction with the Assistance for Education Fund, established pursuant to A.R.S. §§15-973.01 and 43-617. Refer to ADE's School Finance Memorandum 03-002 (available at www.ade.az.gov/schoolfinance/) for further information on this Fund.

Question: Are school districts required to follow the purchasing guidelines and the School District Procurement Rules for cumulative purchases?

Answer: Yes, districts must follow the appropriate requirements for cumulative purchases that meet the oral quote, written quote, and competitive bidding thresholds. Cumulative purchases consist of total annual purchases of like items, such as office or janitorial supplies. Districts should review cumulative purchases of like items from all vendors for the previous fiscal year, and obtain oral or written quotes or perform formal competitive bidding proce-

dures for the current year, as needed, based on the total dollar amount spent in prior years and any anticipated changes for the current year.

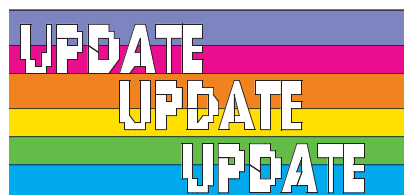
TRAVEL RATES

The State of Arizona's General Accounting Office (GAO) regularly reviews the Arizona lodging and mileage reimbursement rates in comparison to the federal rates and recommends changes as needed to the Joint Legislative Budget Committee (JLBC). In December 2002, the JLBC reviewed the suggested lodging and mileage rates, but approved no changes to the current rates. Therefore, the rates effective 1/1/01 and 2/16/01, available on GAO's Web site at www.gao.state.az.us, remain in effect.



SPOTLIGHT ON SCHOOL FINANCE HOME PAGE

The School Finance home page on ADE's Web site at www.ade.az.gov/schoolfinance/ provides much more than just links for uploading required district reports. The page includes a section on Frequently Asked Questions with several questions on the Classroom Site Fund, and sections for Forms, Memos, and Reports.



Since our last newsletter, we issued 12 USFR Memorandums (Nos. 186 through 197). These memos cover top-

ics such as preparing an Advice of Encumbrance, accounting for CSF monies, recording expenditures that the School Facilities Board made on behalf of school districts, and single audit requirements.

For your convenience, we have attached a list of the current USFR Memorandums. If you need a copy of any current USFR Memorandum, please visit our Web site at www.auditorgen.state.az.us/manuals.htm or call the Accounting Services Division at (602) 553-0333.